

**PART I -THE SCHEDULE**

**SECTION C**

**PERFORMANCE WORK STATEMENT**

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**Table of Contents**

[C.1](#) [GENERAL INFORMATION](#) .....C-1

[C.2](#) [WORK REQUIREMENTS](#) .....C-3

[C.3](#) [DELIVERABLES](#) .....C-12

[C.4](#) [WORK STANDARDS](#) .....C-12

## **SECTION C**

### **DESCRIPTION/SPECIFICATION/WORK STATEMENT** **DESCRIPTION OF WORK AND SERVICES** **PERFORMANCE WORK STATEMENT**

#### **C.1 GENERAL INFORMATION**

##### **1.0 Introduction**

This Performance-Based Management Contract (PBMC) is for the management and operation of the Strategic Petroleum Reserve (SPR), including operating and maintaining the facilities and related systems. It reflects the application of performance-based contracting approaches and techniques which emphasize results/outcomes and minimize “how to” performance descriptions. The Contractor has the responsibility for total performance under the Contract, including determining the specific methods for accomplishing the work effort, performing quality control, and assuming accountability for accomplishing the work under the contract. Accordingly, this PBMC provides flexibility, within the terms and conditions of the contract, to the Contractor in the performance of this contract.

Under this PBMC, it is the Contractor’s responsibility to develop and implement innovative approaches and adopt practices that foster continuous improvement in accomplishing the mission of the SPR. The Department of Energy (DOE) expects the Contractor to produce effective and efficient management structures, systems, and operations that maintain high levels of quality and safety in accomplishing the work required under this contract. The Contractor shall conduct all work in a manner that optimizes productivity, minimizes waste, and fully complies with all applicable laws, regulations, and terms and conditions of the contract.

##### **2.0 Background**

The SPR is a large crude oil stockpile under the control of the President of the United States. The SPR is mandated by the Energy Policy and Conservation Act, as amended, and by the comprehensive energy plans of all Administrations since 1975 in recognition of the long-term dependence of the United States on imported crude oil and petroleum products.

The SPR mission is to store crude oil to reduce the adverse economic impact of a major supply interruption to the United States and to carry out obligations under the international energy program. The SPR vision is to fill the reserve to capacity with crude oil and to serve as the global benchmark for crude oil reserves.

The Assistant Secretary for Fossil Energy, U. S. Department of Energy, has overall programmatic responsibility for achieving the goals and objectives of the SPR program. This responsibility has been delegated to the Deputy Assistant Secretary for Petroleum Reserves and is exercised through a Program Office in Washington, D.C. In addition, there is a Project Management Office located in New Orleans, Louisiana. It carries out day-to-day project activities, including the management and operation of the SPR sites, and is responsible for the award and administration of this contract.

The SPR Facilities Development Program is presently designed and constructed to provide a storage capacity of 727million barrels and a drawdown/distribution capability of 4.4 million barrels per day. Currently, the SPR has a crude oil inventory of approximately 696 million barrels.

The DOE has four large underground crude oil storage facilities in salt domes along the Gulf Coast of Texas and Louisiana. The four storage sites are West Hackberry and Bayou Choctaw in Louisiana, and Bryan Mound and Big Hill in Texas. These storage sites are organized into three distribution systems--Seaway, Texoma, and Capline--and are connected by DOE pipelines to commercial crude oil pipeline networks and to commercial and Government-owned marine terminal distribution facilities. The Government-owned SPR marine terminal is located in St. James, Louisiana and is currently leased to a third party.

The Department has implemented a commercialization program to outgrant by leasing underutilized SPR crude oil distribution facilities for commercial use. Currently, the St. James Terminal as well as the pipelines from the Bryan Mound site to Texas City and Jones Creek and Bayou Choctaw to St. James Terminal are also leased to commercial concerns. The Management and Operating Contractor has oversight responsibility for such leased assets.

### **3.0 Performance Work Statement**

Under this PBMC, the Contractor shall furnish the necessary personnel, facilities, equipment, materials, supplies, and services (except those provided by the Government) to accomplish the Performance Work Statement (PWS). The PWS under this PBMC is comprehensive in that the Contractor is expected to perform all necessary technical, operational, and management functions to manage and operate the SPR sites/facilities and perform the DOE missions assigned to the SPR sites/facilities. This encompasses all ongoing objectives of the SPR sites/facilities as well as those objectives that may be assigned during the term of the contract and include, but is not limited to: expansion or programmatic reconfigurations of the SPR; all infrastructure management and maintenance; human resources management; environmental management; health, safety, and security; and purchasing, financial, and other administrative systems.

The overall performance objectives of this contract are:

The Contractor shall maintain the SPR inventory and storage capacity, assure operational readiness to draw down and distribute crude oil within 13 days of a Presidential direction, and maintain an operational posture that exercises and preserves SPR systems and processes to achieve performance criteria, cost control objectives, and the long-term capability to perform the mission.

Work under this contract shall be performed in a manner that will protect the environment, the facilities, and the safety and health of employees and the public. The Contractor shall utilize the best operational technology and management practices from both Government and commercial sources to continuously improve and achieve excellence in the conduct of operations at the SPR. The Contractor is expected to achieve effective, efficient, and economic use of resources to meet the requirements of the contract, including effective application of cost considerations in the decision-making process through such means as cost/benefit, life cycle cost, lease/purchase, and make-or-buy analyses.

## **C.2 WORK REQUIREMENTS**

### **1.0 Introduction**

The performance-based results/outcomes of this contract are broadly set out in this PWS and reflect the DOE's minimum needs and expectations for Contractor Performance. More particularly, established annually, or at other such intervals determined by DOE to be appropriate, will be specific performance work statements, performance standards (measures applied to results/outputs), acceptable performance levels (performance expectations), acceptable quality levels (permissible deviations from performance expectations), and related incentives. The related incentives may be monetary, or in cases where monetary incentives are not desirable or considered effective, the Contractor's performance may be used as a factor in the determination to extend contract performance, a factor which directly affects the past performance report card, or a factor in a decision to reduce or increase DOE oversight on Contractor reporting as appropriate.

DOE's Quality Assurance Surveillance Plan (QASP) will consist primarily of the Performance Evaluation Management Plan (PEMP). The QASP establishes the process DOE will use to ensure that the Contractor has performed in accordance with the performance standards and expectations. The QASP will summarize the performance standards, expectations, and acceptable quality levels for each task; describe how performance will be monitored and measured; describe how the results will be evaluated; and state how the results will affect contract payment.

Specific work requirements under this contract, including performance metrics and deliverables, will be established annually by the Contracting Officer in accordance

with the Section H clause entitled “Work Authorization.” The Contracting Officer will issue Work Authorization Directives for each major work area to be accomplished in a given year. These directives will conform to the PWS of this contract and further affect the General Requirements specified in this section.

## **2.0 General Requirements**

### **2.1. Operations**

Perform management, planning, oversight, documentation, training, operational functions, energy management and crude oil activities associated with the operation of the SPR sites/facilities.

Manage, plan, and implement operational activities associated with fluid movements (crude oil, raw water, and brine); solution mining; receipt and storage of crude oil; pipeline and metering operations; drawdown/distribution readiness activities; cavern well operations, workover, geotechnical and monitoring; operation and maintenance of vapor pressure treatment facilities to minimize impacts to drawdown and inventory availability; crude oil quality monitoring and compliance with standards, quantity control; manage crude oil inventory system for accountability; manage crude oil quality and sampling system, operation and testing of brine disposal wells; and other activities as deemed appropriate.

#### **2.1.1 Drawdown Readiness**

The Contractor shall manage and execute the operational Drawdown Readiness program, including but not limited to planning, developing, researching, training, and conducting Systems Test Exercises (STEs)/Disaster Recovery Exercises. Maintain operations and management computer models and databases with respective programs supporting Drawdown Readiness (i.e., Personal Computer Operations Model (PCOM), Readiness and Capability (Report) RECAP, SPR Exchange Capabilities Report (SPREX), etc.) functions. Perform analyses and studies of areas affecting systems capabilities for improving system enhancements of DOE-owned distribution systems. Manage planning, analysis, and implementation of the Vapor Pressure mitigation program. On STE/Disaster Recovery test exercises, interface with other federal, state, and local agencies to ensure that policy and goals are achieved.

#### **2.1.2 Cavern Integrity and Workovers**

The Contractor shall manage and operate the SPR cavern integrity, cavern remediation, and workover program in a safe, effective,

efficient, timely, and environmentally compliant manner consistent with DOE objectives and requirements ensuring compliance with current DOE Conduct of Operations regulations, and Occurrence Reporting and Processing System requirements.

Manage geotechnical controls, monitor and analyze caverns to ensure drawdown capability. Assure that proper permits and reports for caverns, cavern wells, brine disposal wells, workovers, etc. are filed with appropriate regulatory agencies. Develop workover procedures and schedules with assurance that workover materials and subcontracts are ordered and ready when needed to support rig operations without impact. Initiate all work orders necessary to support the approved workover schedule.

Develop and recommend engineering solutions to down-hole and wellhead problems in cavern and brine disposal wells. Provide periodic reports on Cavern Integrity and Workover activities as required by Work Authorization Directives.

### **2.1.3 Petroleum Acquisition and Transportation**

Manage the logistics functions for crude oil movements, crude oil accountability, crude oil quality control, fill and drawdown activities, planning and control, and support of Foreign Trade Zone operations. The Contractor is responsible for maintaining the official cargo and oil contract files.

In support of oil movements (fill and drawdown, including sales and exchanges), the Contractor will develop a crude oil fill plan and schedule, and coordinate oil movements with its subcontracted third-party inspectors, commercial terminals and pipelines, and the SPR storage sites. The Contractor will coordinate oil movements and manage SPR deliveries in compliance with the Cargo Preference Act and the Jones Act and commercial pipeline rules and regulations.

Perform those tasks necessary to support the administration of crude oil activities such as crude oil acquisitions, sales, and exchanges. In support of negotiations and execution of any SPR contracts, the Contractor will conduct Oil Price Analysis, market evaluations, and analyze Oil Trading/Hedging alternatives to support price determinations and price indexing.

The Contractor shall institute and manage a crude oil quality program that encompasses the oversight responsibility of sampling,

analysis, technical review and documentation of SPR crude oil in accordance with SPRPMO Orders.

Manage and operate SPR site crude oil laboratories, crude oil sample storage facility, including the calibration of analytical equipment. Operate and maintain the metering and sampling equipment located at the SPR sites, including the calibration of instrumentation devices used for generating measurements.

Manage the crude oil quality database and cavern sampling program. Maintain the necessary controls for measurement, sampling, and analyses, in accordance with DOE requirements.

Manage the crude oil inventory systems and maintain supporting documentation in accordance with SPRPMO Orders. Update crude oil inventory systems and resource documents as required. Comply with all inventory reporting requirements as required by DOE/SPRPMO Orders. Maintain current Superfund and Oil Spill Liability Trust Fund inventory records.

The Contractor shall support terminalling distribution agreements and coordinate readiness assessments as required. The Contractor shall support evaluations of DOE-leased assets.

## **2.2 Maintenance**

Manage and perform preventive, corrective, predictive, and general maintenance on Government-owned equipment and facilities, including caverns, and wells. Maintain the Government-owned facilities in a manner that will detect and correct defects that could cause potential failures. Provide all the integrated resources necessary to maintain, update, and improve the Integrated Logistics Support program.

## **2.3 Major Maintenance**

Develop long-term plans and, as assigned, perform major maintenance projects and related construction management involving engineering, procurement, construction, fabrication, installation, and testing, or combinations thereof, which: 1) maintains a building, structure, or physical system in an efficient operating condition, or 2) materially adds to the value of or prolongs the life of a building, structure, or physical system.

## **2.4 Utility Operations (Power)**

The Contractor shall manage electric power usage and other SPR utilities programs tied to drawdown/fill readiness for ensuring their cost



effectiveness, including hotel loads, and equipment testing. The Contractor shall manage Energy Management programs and implement state-of-the-art processes for energy efficiency, and support the acquisition of public utility contractual agreements. The Contractor will analyze power data and provide recommendations to DOE on power usage, savings, alternatives, and contract status.

The Contractor will provide a Management and Operating Contractor Energy Manager to manage all aspects of SPR energy management to meet Federal, DOE, Executive Order, and SPR energy management requirements and objectives.

## **2.5 Environmental**

Develop, implement, and maintain a comprehensive Environmental Management System, which shall include all activities necessary to ensure that SPR operations do not adversely impact the environment and meet the environmental protection requirements of the DOE, and federal, state, and local regulatory agencies. Program elements include environmental monitoring; environmental impact assessment and reports; regulatory agency reporting; permitting; oil spill response; environmental inspection; pollution abatement; waste minimization; records maintenance; laboratory operation; audits, documentation, reports, and coordination of all site programs addressing environmental and sustainability activities. The Environmental Management System shall meet the requirements set forth in applicable International Standards Organization (ISO) 14001 and be capable of registration by a Registrar Accreditation Board within the first year of operation or such other reasonable period of time.

The Contractor must establish and implement a Site Sustainability Plan (SSP). The Contractor must develop or support development and commitments to identify their respective contribution toward meeting the DOE Department's sustainability goals. Contractor must integrate their SSP with their operational plans.

## **2.6 Security**

Develop, implement, and maintain a Security Program to protect personnel, Government property, and classified information from theft, sabotage, espionage, or other acts that may cause adverse impacts on national security or the health and safety of the public. Elements of the program include general topical programs as follows: Program Management, Protective Force, Physical Security, Information Protection, Cyber Security, Personnel Security, Unclassified Visits and Assignment Programs. Security initiatives include plans and procedures; lock and key control programs; classified document control program; operation security

program; communication security program; tempest program; security awareness/crime prevention program; cyber security programs; personnel security programs; audits; inspection; investigation; vulnerability and risk assessments; lighting systems and intrusion detection alarm systems; national security clearance requests and investigations; emergency and contingency planning; test/exercise programs; information classification program; and management of subcontracted security and protection force services.

## **2.7 Technical Support and Management**

### **2.7.1 Engineering**

Perform special studies, analyses, design, design reviews, and documentation in support of the operation, maintenance, and repair of facilities, systems, and equipment. Primary functions involve technical disciplines associated with the flow of high volume of raw water, brine, and crude oil in the solution-mining of underground storage caverns and crude oil drawdown. Engineering disciplines cover areas required for problem solving and associated analysis. Perform Title I, II and III (See Paragraph C.4) services, as required. Additional functional responsibilities include systems engineering; vapor pressure analyses; cavern and well engineering; pipeline assurance; configuration management; and Reliability, Availability, and Maintainability (RAM) program management. The Contractor shall fulfill the acquisition of treatment facilities intended to remediate increased vapor pressure of inventory.

### **2.7.2 Quality Assurance**

Develop, implement, and maintain a comprehensive Quality Assurance Program, which shall include all activities necessary to ensure that risks and environmental impacts are minimized and that safety, reliability, performance, and mission are accomplished through the application of management systems commensurate with the risks posed by the facilities and their operation.

The Quality Assurance Program shall meet the requirements of the applicable DOE Order(s) and as set forth in ISO 9001 and be capable of registration by a Registrar Accreditation Board and shall maintain the certification for the term of the contract.

The Contractor shall establish a Contractor Assurance System (CAS) program in accordance with DOE requirements and shall include a process to ensure contract requirements are being met.

The Contractor shall perform self-assessments on management programs and utilize the SPR's Assessment Tracking System (ATS) for tracking all deficiencies and associated corrective actions.

### **2.7.3 Project Management**

Provide overall management of contract performance, legal services, project planning and control, public affairs, graphics, records management, self-assessments, and miscellaneous support services. This includes integrating activities between multiple SPR DOE prime contracts as well as acting as the project integrator on large capital projects.

### **2.7.4 Information Systems and Knowledge Management**

The Contractor shall utilize the best appropriate technology and management practices to efficiently manage, operate, and maintain a SPR enterprise-wide computer and information system. This includes a central network control server facility (New Orleans) with alternate data center, computer workstations, area networks, office automation, software and management information system development and maintenance, data communication, and directly related support activities, including cyber security. The Contractor shall orient all planning and implementation towards deploying forward-looking technologies which maximize overall operating efficiencies and best business practices from enterprise resource planning and knowledge management perspectives. This includes digital document and records management, data warehousing and mining, utilizing web-centric applications and creating efficiencies from flexible work place and workspace environments. Also included are the management, operation, and maintenance of telecommunication, video conferencing, radio, and satellite communication services, facilities, and equipment during normal and emergency situations for all SPR sites/facilities.

### **2.7.5. Financial Management**

Develop, implement, and maintain a Financial Management program, including an accounting system suitable to accumulate, record, and report all financial activities; formulate short and long-range budgets which identify all resource requirements needed to accomplish projected work loads; and develop, implement, and maintain effective controls of all budgets through the use of approved funding programs and cost resource analysis.

### **2.7.6 Procurement/Contracts**

Develop, implement, and maintain a DOE-approved procurement system the objective of which is to deliver to its customers on a timely basis those products and services necessary to accomplish the purposes of the Government's contract. The purchasing system shall be well defined, consistently applied, and shall follow purchasing practices appropriate for the requirement and dollar value of the purchase. Contractor purchases are subject to certain Federal laws, Executive Orders, and regulations as required by statute, regulation, or contract terms and conditions. The purchasing system shall identify and apply the best in commercial purchasing practices and procedures to achieve system objectives. Where specific requirements do not otherwise apply, the Contractor purchasing system shall provide for appropriate measures to ensure the:

- (1) Acquisition of quality products and services at fair and reasonable prices;
- (2) Use of capable and reliable subcontractors;
- (3) Minimization of acquisition lead-time and administrative costs of purchasing;
- (4) Use of effective competitive techniques;
- (5) Reduction of performance risks associated with subcontractors, and facilitation of quality relationships which can include techniques such as partnering agreements, ombudsmen, and alternative disputes procedures;
- (6) Use of self-assessment and benchmarking techniques to support continuous improvement in purchasing;
- (7) Maintenance of the highest professional and ethical standards;
- (8) Maintenance of file documentation appropriate to the value of the purchase and which is adequate to establish the propriety of the transaction and the price paid; and

- (9) Maximization of opportunities for small business, HUBZone small business, small disadvantaged business, and woman-owned business concerns to participate in contract performance.

#### **2.7.7 Property Management**

Develop, implement, and maintain a DOE-approved personal property management system that provides adequate protection, maintenance, utilization, and disposition of personal property, and reasonable assurance that the DOE's personal property is safeguarded against waste, loss, unauthorized use, or misappropriation, in accordance with applicable statutes, regulations, contract terms and conditions, programmatic needs, and good business practices.

#### **2.7.8 Human Resource Management**

Develop, implement, and maintain a Human Resource System, including employment functions such as recruiting, interviewing, testing, diversity management, wage and salary administration, position classification, personnel records, benefits administration, employee fitness programs, service recognition programs, industrial relations, collective bargaining, administration of employee welfare programs, performance appraisal, training and development, and other miscellaneous personnel services.

#### **2.7.9 Safety and Health**

Develop, implement, and maintain a comprehensive Safety and Health Program which shall include all activities necessary to ensure the health and safety of the work force and the public and shall meet the requirements of DOE Orders, the Safety and Health Manual, and federal, state, and local codes. Program elements include safety and health inspections; hazard identification analysis and abatement; accident investigations; records maintenance; industrial hygiene; and coordination of all site programs addressing safety and health activities. The Contractor shall commit to Occupational Safety and Health Administration (OSHA) Voluntary Protection Program (VPP) criteria plus achieve and maintain VPP status at each SPR operating site.

#### **2.7.10 Fire Protection and Emergency Management**

Develop, implement, and maintain comprehensive programs in the areas of Fire Protection and Emergency Management.

The Fire Protection Program shall include all activities necessary to protect the SPR from the perils of fire and shall comply with requirements of the National Fire Codes, Factory Mutual Loss Prevention Data Sheets, American Petroleum Institute recommended practices, and DOE Orders. Program elements include inspection, monitoring and reviewing, maintenance and repair, and risk assessment.

The Emergency Management Program shall include all activities necessary to ensure readiness to respond to emergencies and shall comply with DOE Orders, federal, state and local regulations. Readiness shall be attained by maintenance of current documentation delineating roles and responsibilities, and by exercises and training.

#### **2.7.11 Internal Audit**

Conduct internal audit operations satisfactory to DOE, which at a minimum would: be organizationally independent; be of sufficient size and include appropriately trained professionals to meet standards of the Institute of Internal Auditors (IIA); perform both financial and performance audits meeting either Government Auditing Standards or IIA standards, including sufficient testing of “internal controls” over cost and sufficient transaction testing of costs incurred by the Contractor to ensure reasonableness, allowability, and allocability. Establish an audit resolution and follow-up system to track internal audit findings and recommendations and effectively participate in coordination with the Office of Inspector General’s (OIG’s) audit plan.

### **C.3 DELIVERABLES**

Deliverables required under this contract will be set forth in the Work Authorization Directives issued by the Contracting Officer. In addition, the Contractor shall satisfy the reporting requirements contained in Section J of this contract and contract provision H.20 Reporting Requirements. To ensure that effective and efficient management systems exist for the management and operations of the SPR, this contract also requires the delivery of certain documents, plans, and reports for the Contracting Officer’s review and approval. These requirements are specified elsewhere in this contract.

### **C.4 WORK STANDARDS**

In performing this contract, the Contractor shall comply with applicable federal, state, and local laws and regulations; and shall be responsible for obtaining such licenses, permits, and other authorization that may be necessary for the performance of the work.

Pursuant to the Section I Contract Clause DEAR 970.5204-2 entitled “Laws, Regulations, DOE Directives” the Contractor shall conform to the requirements of all applicable DOE Orders and Directives, which may establish management, technical, procedural or other standards, and specifications for Contractor work activities. The Orders and Directives applicable to this contract are identified in the DOE/SPRPMO Directives contained in Section J of this contract.

All work under this contract shall conform to the requirements set forth in the following documents:

SPR Level I Technical and Performance Criteria (October 2004).

SPR Level II Performance Criteria (August 2008).

SPR Level III Design Criteria (November 2001).

(Documents are available in the additional documents section of the M&O Contract Recompensation Reading Room at [http://www.spr.doe.gov/readingroom/rr\\_files.html](http://www.spr.doe.gov/readingroom/rr_files.html).)